

Message Text

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PAGE 01 STATE 012801
ORIGIN EB-08

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R 172153Z JAN 78
FM SECSTATE WASHDC
TO AMEMBASSY BANGKOK

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: EXPORT PROHIBITION OF TEAK LOGS AND LUMBER

REF: BANGKOK 33524 (77) AND PREVIOUS

1. AS EMBASSY AWARE, RTG ON DECEMBER 8 INSTITUTED BAN ON EXPORT OF TEAK LOGS AND LUMBER WHICH HAS CAUSED DISRUPTION IN US TEAK MARKET AND HENCE GREAT CONCERN AMONG US IMPORTERS AND MANUFACTURERS. CONGRESSIONAL INTEREST HAS ALSO BEEN EXPRESSED ON THIS ISSUE.

2. WHILE WE RECOGNIZE THAT REMOVING OR MODIFYING CURRENT BAN MAY BE DIFFICULT, ESPECIALLY AFTER PRIME MINISTER'S REFERENCE TO IT IN HIS NEW YEAR'S DAY SPEECH, WE BELIEVE THAT THE TIME HAS COME FOR USG TO MAKE A FORMAL REPRESENTATION ON THIS ISSUE TO RTG. WE LEAVE FORM AND LEVEL OF REPRESENTATION TO EMBASSY'S DISCRETION, BUT BELIEVE THAT

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THE FOLLOWING GENERAL POINTS SHOULD BE MADE:

A. THE TOTAL BAN ON EXPORTS OF TEAK LOGS AND LUMBER, COMING AS SUDDENLY AS IT DID, HAS CAUSED DISRUPTION IN THE US MARKET. WE BELIEVE THAT WHEN SUCH MEASURES ARE TAKEN FOR DOMESTIC REASONS, DUE CONSIDERATION MUST BE GIVEN TO THEIR EFFECT ON FOREIGN PURCHASERS, AND WAYS SHOULD BE

FOUND TO MITIGATE ANY ADVERSE EFFECTS. IN GENERAL, WE BELIEVE THAT THE WORLD ECONOMY IS IMPROVED BY FREE TRADE, AND SINCE SUCH MEASURES RESTRICT TRADE, THEY ARE NOT CONDUCTIVE TO WORLD ECONOMIC HEALTH.

B. THAI TEAK HAS THE BEST NAME IN THE AMERICAN TEAK MARKET, BUT THE EXPORT BAN WILL FORCE AMERICAN MANUFACTURERS TO FIND OTHER SOURCES OF TEAK OR SYNTHETIC SUBSTITUTES AND MAY THUS CAUSE A LOSS OF THE WHOLE US MARKET FOR THAI TEAK, EVEN WERE THE BAN LIFTED IN A YEAR OR TWO. SINCE TOTAL 1976 EXPORTS OF TEAK WERE 35 MILLION DOLLARS, THIS WOULD HAVE A SIGNIFICANT NEGATIVE EFFECT ON THE THAI BALANCE OF PAYMENTS.

C. THE HARDWOOD PRODUCTS ASSOCIATION, WHICH IS THE US TRADE ASSOCIATION CONCERNED, IS READY TO SIT DOWN WITH THE THAI GOVERNMENT AND DISCUSS WAYS TO REMOVE OR MODIFY THE BAN TO THE SATISFACTION OF ALL PARTIES, INCLUDING PERHAPS THE ESTABLISHMENT OF PROCESSES TO ADD MORE VALUE TO THE PRODUCT IN THAILAND.

3. EMBASSY IS REQUESTED TO REPORT ON THEIR DEMARCHE AND ANY RTG REACTIONS. CHRISTOPHER

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